

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN
CERTIFIED FINANCE AND ACCOUNTING PROFESSIONAL (CFAP) EXAMINATION
EXAMINERS' COMMENTS

SUBJECT Audit, Assurance and Related Services	SESSION Winter 2020
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Passing %

Question-wise							Overall
1	2	3	4	5	6	7	
52%	15%	35%	59%	7%	10%	21%	25%

General Comments

The result in this session was consistent as compared to previous session. However, overall performance in this paper is still below satisfactory. The main reasons of this unsatisfactory performance seemed to be selected study and poor performance in those areas, which were examined in a different way as compared to past attempts. Apart from technical mistakes, it was commonly noted that examinees commenced responding to a question without proper reading the requirements of the question. This caused loss of easy achievable marks which might be obtained if they had studied the requirement properly.

Question-wise common mistakes observed

Question 1

Some of the examinees failed to identify the risks relating to refund liability, warranty provision, segment reporting, foreign tax regulation and their related audit procedures.

Question 2(a)

- Examinees only repeated the requirement of the question about agreeing on the audit strategy with the joint auditor, rather than mentioning that how it is to be ensured that work was performed in accordance with the agreed audit strategy.
- Examinees failed to mention any course of action if the work carried out by the other joint auditor is insufficient or inappropriate.

Question 2(b)

- Examinees did not mention about discussing the difference of opinion with those charged with governance.
- Examinees failed to realize that if separate opinions are being issued by joint auditors then an “other matter paragraph” needs to be included in the audit report discussing the reasons for doing so.

Question 3

Examinees failed to mentioned the following:

- Obtaining the details of claims filed by customers and the management’s intention to honor them or pursue legal proceedings.
- Inspecting subsequent payments to ascertain the amount of penalties and fines.
- Inquiring about management’s risk assessment for the possible loss of business and its impact on the financial statements.
- Determining whether continued reliance can be placed on the IT automated controls.
- Considering the course of action if the non-disclosure of the incident by the management appears intentional.

Question 4

- Despite being mentioned in the requirement to the question, examinees failed to comment on the significance of the matters.
- Examinees mentioned only some general audit procedures such as involving an expert and review the assumptions made by the management.
- Examinees did not address the cash generating unit aspect of the question and the related audit procedures.

Question 5

- Examinees failed to discuss the fact that no review or discussion was made by the engagement partner regarding the progress of the audit and the implications related to its ethical and professional issues.
- Examinees did not discuss the matters which need to be discussed with those charged with governance when a breach has been identified.
- Examinees also failed to mention that engagement shall only be continued when concurrence of those charged with governance has been taken.

Question 6

- Examinees correctly identified the shortcomings/flaws in the Key Audit Matter section but failed to give any suggestion to correct the identified shortcomings/flaws.

- Examinees failed to realize that key audit matter is not identified only on the basis of materiality and therefore did not mention the related suggestion.
- Examinees did not identify that some procedures mentioned were general in nature and were not relevant to the assessed risk of material misstatement.

Question 7(a)

- Examinees did not discuss that how the matters are to be investigated for due diligence review.
- Examinees produced verification procedures which were related to an audit engagement instead for due diligence.
- Examinees did not mention the following procedures:
 - Obtain any correspondence to identify any renegotiation occurred on the terms of their agreements.
 - Analyze the impact of aggressive competitive marketing strategy to offset the impact of discount offered by competitor.
 - Inquire the management about the possibility of offering discount by analyzing the profitability analysis.
 - Assess the goodwill of brand name may have any impact in offsetting the impact of discount.
 - Review the subsequent sales trend to analyze the magnitude of loss of sales and measures taken by management accordingly.
- Examinees failed to mention the procedures related to the effects of difference among the distribution model followed by both the companies.

Question 7(b)

- Despite being mentioned in the requirement for ignoring the ethical considerations, some of the examinees discussed ethical requirements.
- Examinees did not mention that in the case of an audit of a specific element of a financial statement, certain ISAs require audit work that may be disproportionate to the element being audited.
- Examinees also failed to mention that if it is concluded that an audit of a single financial statement or of a specific element of a financial statement in accordance with ISAs may not be practicable, then the auditor may discuss with management whether another type of engagement might be more practicable.

(THE END)